

Message Text

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ACTION EB-07

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FM AMEMBASSY BERN

TO SECSTATE WASHDC IMMEDIATE 729

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E.O. 11652: N/A

TAGS: ETRD, SZ

SUBJECT: COUNTERVAILING DUTY INVESTIGATION ON CHEESE FROM SWITZERLAND

REF: A) BERN 2069; B) BERN 1958; C) STATE 107345

1. SUMMARY. SWISS VERY MUCH HOPE THAT TREASUTY WILL DECIDE THAT SWISS ARE NOT SUBSIDIZING CHEESE EXPORTS TO US AND THUS IMPOSITION COUNTERVAILING DUTIES NOT WARRANTED. SWISS DO NOT FEEL THEIR SITUATION AND THAT OF OTHER CHEESE SUPPLIERS TO US ARE IN ANY WAY ANALOGOUS AND THUS WOULD STRONGLY PREFER NOT TO BE FACED WITH POSITIVE TREASURY DETERMINATION FOLLOWED BY NEGOTIATIONS AND POSSIBLE DISCRETIONARY WAIVER AND SUSPENSION OF COUNTERVAILING DUTIES. SUBJECT WILL BE DISCUSSED FURTHER BY SENIOR GOS OFFICIALS IN NEXT FEW DAYS WITH USG REPS IN GENEVA AND PARIS, BUT SWISS WOULD ALSO WELCOME FURTHER CONTACTS WITH TREASURY OFFICIALS IN WASHINGTON AND/OR BERN IN EFFORT WORK OUT SOLUTION.
END SUMMARY.

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2. AMBASSADOR JACOBI OF SWISS DIVISION OF COMMERCE IN CONVERSATION MAY 23 WITH DCM AND E/C COUNSELOR REVIEWED STRONG SWISS POSITION ON CHEESE COUNTERVAILING CASE ALONG FOLLOWING LINES:

A) SWISS DO NOT ACCEPT THAT THEIR PROGRAM OF PRICE SUPPORTS FOR CHEESE IS IN ANY SENSE EXPORT SUBSIDY. THEY NOTE MECHANICS OF PAYMENTS, I.E. PARTIAL COVERAGE OF ANNUAL DEFICITS OF SWISS CHEESE UNION, ARE VERY DIFFERENT FROM EXPORT RESTITUTIONS MADE ELSEWHERE. THEY ALSO NOTE THAT AVERAGE PRICES OF SWISS-TYPE CHEESE FROM SWITZERLAND ARE HIGHER IN US THAN IN SWITZERLAND AS WELL AS BEING HIGHER THAN SWISS-TYPE CHEESES IMPORTED FROM OTHER SUPPLIERS OR PRODUCED IN US. FINALLY, THEY FEEL THEIR MILK PRICE SUPPORT SYSTEM HAS MANY SIMILARITIES TO US AGRICULTURAL SUPPORT PROGRAMS.

B) SWISS HOPE VERY MUCH THAT TREASURY WILL MAKE NEGATIVE PRELIMINARY DETERMINATION, I.E. CONCLUDE THAT SWISS EXPORTS TO US OF EMMENTHALER AND GRUYERE DO NOT RECEIVE BOUNTY OR GRANT WITHIN MEANING OF US COUNTERVAILING DUTY LEGISLATION. THEY PARTICULARLY DO NOT WANT TO BE CONFRONTED WITH SAME SITUATION AS EC, AUSTRIA, AND PERHAPS OTHER SUPPLIERS, BOTH BECAUSE THEY FEEL STRONGLY THAT THEIR SITUATION IS VERY DIFFERENT AND BECAUSE THEY DO NOT WANT TO HAVE SWISS AGRICULTURAL PROGRAM SUBJECT TO MTN DISCUSSION IN CONTEXT OF SUBSIDIES AND COUNTERVAILING DUTY EXERCISE. JACOBI SAID IF LATTER HAPPENED SWISS WOULD BE FORCED SIDE CLOSELY WITH EC AND OTHERS WHEN THEY WOULD PREFER SEEK MIDDLE GROUND OR BE CLOSER TO US ON THIS SUBJECT.

3. SWISS ALSO FEEL THAT ACTUAL IMPOSITION COUNTERVAILING' DUTIES ON CHEESE FROM SWITZERLAND WOULD TEND PUT ALREADY HIGH-PRICED PRODUCT COMPLETELY OUT OF REACH FOR US CONSUMER. THEY NOTE THAT FOLLOWING NOVEMBER 1974 INCREASE IN MILK PRICE SUPPORT LEVEL EXPORTS TO US IN FIRST QUARTER 1975 WERE OFF SOME ONE-THIRD FROM SAME PERIOD NEXT YEAR.

4. JACOBI RECALLED THAT BASIC ARGUMENT FOR SPECIAL TREATMENT OF SWISS CHEESE FROM SWITZERLAND HAD PRECEDENT IN 1968 ESTABLISHMENT OF HIGH-VALUE BRACKET UNDER SECTION 22 LIMITED OFFICIAL USE

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CHEESE IMPORT QUOTAS. IN THIS CONNECTION, JACOBI RECALLED THAT THIS SPECIAL TREATMENT BY US OF SWISS CHEESE HAD PROMPTED SPECIAL SWISS IMPORT QUOTA FOR 300 TONS OF US BEEF. IF US WERE TO NO LONGER CONSIDER THAT SPECIAL CIRCUMSTANCES RELATED TO SWISS CHEESE, JACOBI SAID HE COULD NOT RECOMMEND REOPENING OF BEEF QUOTA SO LONG AS POSSIBLE IMPOSITION OF ADDITIONAL DUTIES HUNG OVER CHEESE TRADE. COMMENT. WE HAVE IMPRESSION THAT IF DETERMINATION IS

NEGATIVE QUOTA WHICH EXPIRES JUNE 30 WOULD QUICKLY
BE RENEWED. END COMMENT.

5. JACOBI SAID SWISS CAN FULLY UNDERSTAND THAT ANY
NEGATIVE DETERMINATION IN SWISS CASE WOULD HAVE TO BE
DEFENSIBLE BOTH IN US AND WITH OTHER SUPPLIERS AND THAT
TREASURY RESPONSIBILITIES AND TIME PERIODS UNDER NEW
TRADE ACT ARE PRECISE AND CLEARLY DEFINED. JACOBI SAID
THAT HE WOULD BE PREPARED GO TO WASHINGTON ON SHORT NOTICE
OR RECEIVE TREASURY OFFICIAL IN BERN IF THIS WOULD BE
HELPFUL EITHER IN TERMS OF BETTER UNDERSTANDING OF SWISS
SYSTEM OR IN CONSIDERING HOW WHOLE QUESTION OF SWISS CHEESE
IMPORTS SHOULD BE HANDLED IN REFERENCE TO US COUNTERVAILING
DUTY LEGISLATION.

6. JACOBI SAID SWISS REGARD MAY 2 MEETING IN WASHINGTON
AS SUCCESSFUL IN SENSE THAT AMERICAN FARM BUREAU FEDERATION
REPRESENTATIVES TOLD SWISS AGRICULTURAL DEL THAT THEY
WOULD NOT SEEK JUDICIAL APPEAL SHOULD TREASURY MAKE
NEGATIVE RULING ON FARM BUREAU COMPLAINT. THEY CAN
UNDERSTAND WHY BUREAU COULD NOT WITHDRAW COMPLAINT AND
HAD NOT EXPECTED THAT RESULT BUT THEY FELT UNDERSTANDING
OF SWISS SITUATION HAD BEEN SHOWN ALSO BY AFBF REPS.

7. SWISS PRESS, PUBLIC AND POLITICAL LEADERS ATTACH FAR
MORE EMOTIONAL, POLITICAL, AND SYMBOLIC IMPORTANCE TO
CHEESE EXPORTS TO US THAN \$11 MILLION ANNUAL VALUE WOULD
SUGGEST. FOR EXAMPLE, JACOBI NOTED STRENGTH OF PARLIAMENTARY
FEELING ON THIS ISSUE WAS REFLECTED IN SOME ADVOCATING DELAY
OR OPPOSITION TO SWISS RATIFICATION OF US-SWITZERLAND
JUDICIAL ASSISTANCE TREATY, ALTHOUGH JACOBI CLAIMED
THAT IN HIS CONTACTS WITH AGRICULTURAL INTERESTS HE WAS
ENDEAVORING TO DISCOURAGE DRAWING SUCH LINKAGES.
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8. JACOBI WILL PRESUMABLY SPEAK ALONG ABOVE LINES IN
HIS MAY 24 MEETING IN GENEVA WITH AMBASSADOR DENT AS WILL
FEDERAL COUNCILOR BRUGGER AND AMBASSADOR JOLLES IN CONTACTS
WITH USG OFFICIALS ON FRINGES OF NEXT WEEK'S OECD MINISTERIAL.

9. EMBASSY COMMENT. WHILE WE FULLY RECOGNIZE THAT MORE
IS INVOLVED THAN SPECIAL SWISS PROBLEM, WE HOPE AS RECOMMENDED
REFTEL A THAT EVERY EFFORT CAN BE MADE BETWEEN NOW AND
JULY 4 TO FIND SOLUTION WHICH IS MUTUALLY ACCEPTABLE. WE
BELIEVE VISIT BY JACOBI TO WASHINGTON OR TREASURY OFFICIAL
TO BERN MIGHT CONTRIBUTE TO THIS END.
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